

SCHOOL FACILITY FEE REIMBURSEMENT PROGRAM FOR RENTAL HOUSING DEVELOPMENTS

FREQUENTLY ASKED QUESTIONS

1. How much of the school facility fees are reimbursable?

100% of the school impact fees paid pursuant to Prop 1A (1998) for the subject rental housing development are eligible for reimbursement.

2. How do we know if the school facility fees we are paying are pursuant to Prop 1A?

The School District should be able to ascertain whether or not the fees they are charging the rental housing development are pursuant to Prop 1A (1998) and California Government Code Section (b) of 65995, or 65995.5 or 65995.7. (These sections of the code are available for downloading off of the CHFA web site.) Our web address is <http://www.chfa.ca.gov/rental/financing/prop1a.htm>

3. Are School Facility Fee Reimbursements taxable?

School Facility Fee Reimbursements may be taxable. Check with your tax accountant. You may elect to have your reimbursement structured as either a grant or a loan (which may be forgiven with a note and deed of trust). If you choose the forgivable loan structure, you may choose to have either a lump sum forgiveness at the end of 55 years or an incremental forgiveness of 1/55th of the loan amount each year. You may also choose not to have the loan forgivable.

4. What will CHFA do with applications that are deemed to be incomplete?

Incomplete applications will be mailed back to the Applicant. Only complete applications will be accepted and assigned a reservation number.

5. Can we submit an application for a reservation of funds if we've only applied for a building permit?

No. For an Application to be considered complete you must have been issued a building permit after 1/1/99. An application for a building permit is not acceptable.

6. Can I submit an application for a reservation of funds if we do not yet have a firm commitment from our construction or permanent lender?

No. You must have a project specific firm commitment letter (that is no more than six (6) months old) in order to apply for a reservation of funds. The commitment letter must be accompanied by an approved itemized construction cost breakdown and total development cost budget.

7. What development costs are used in the calculation to determine the average cost per unit?

Only the "hard" construction costs are considered when determining the "Average Cost per Unit". Soft costs such as land, off-sites, permit fees, architectural fees, engineering, loan fees, or developer fees are not eligible costs.

8. If we have to restrict one unit in a project that has a mix of 1, 2, & 3 bedroom units, which size unit would we have to Dedicate?

You must select the highest income-producing unit (regardless of unit size) as the Dedicated Unit. These units must remain the Dedicated Units for the full term of the Regulatory Agreement.

9. Can we designate a Section 8 project based unit as a Dedicated Unit?

Only if the entire rental housing development has a Section 8 Project Based Contract and there are no other available units.

10. What income level is used to determine the rents of the Dedicated Units?

Dedicated Unit rents are calculated using 30% of HUD published area median incomes for the County in which the project is located, adjusted for family size appropriate for the unit (NOTE: you are not required to deduct a utility allowance). The 1999 HUD Income Limits by County, Bedroom size and Family size are available on the CHFA web site and will be updated annually.

11. What are the family size assumptions for determining the rent on each size unit?

A studio unit assumes a one person household; a one bedroom unit assumes a two person household; a two bedroom unit assumes a three person household; a three bedroom unit assumes a four person household; a four bedroom unit assumes a five person household; and a five bedroom unit assumes a six person household.

12. How is the maximum rent for Dedicated Units calculated?

Take 30% of the area median income for the family size assumptions shown above. Divide this figure by 12 to come up with a monthly figure. Multiply the monthly figure by 30% to get the maximum allowable rent that can be charged.

13. What is the maximum income that eligible tenants can earn in order to occupy a Dedicated Unit?

Eligible tenants or households can earn up to 50% of area median income, adjusted for family size.

14. How much money is available each year under this program?

The SFFR program has been allocated a total of \$52,000,000 over four years to cover eligible school fee reimbursements and costs of administering this program.

There is \$6,500,000 available 1/1/1999 through 6/30/1999

There is \$13,000,000 available for fiscal year 1999/2000

There is \$13,000,000 available for fiscal year 2000/2001

There is \$13,000,000 available for fiscal year 2001/2002

There is \$6,500,000 available 7/1/2002 through 12/31/2002

15. What happens to our application if the Program runs out of funds in the fiscal year in which I apply for a reservation?

Your application will be held until further program funds are available. Reservations are made on a first come first served basis depending on funding availability.

16. How will I know whether or not I have a reservation of funds?

You will be issued a Reservation Letter stipulating the terms of the reservation if there are available program funds to cover the amount of your requested School Fee Reimbursement.

17. How will I know if there are available funds to cover my requested reimbursement?

CHFA will notify you if there are insufficient funds to cover your requested school fees reimbursement. You may either request that we hold your application for future funding availability or you may withdraw your application.

18. When can I get reimbursed for the eligible school facility fee reimbursement?

School Facility Fee Reimbursements will be disbursed after project completion and will be wired to escrow at permanent loan close. Reimbursements will not be made prior to project completion and/or permanent loan funding.

19. How long do we have to restrict the rents on the Dedicated Units?

Rents are restricted for 55 years – no exceptions. Restrictions run with the land and cannot be transferred to another property.

20. What document will evidence the requirement to regulate rents on the Dedicated Units?

CHFA will require that a Regulatory Agreement be recorded against the rental housing development. The Regulatory Agreement will run with the land and will be on title for the required 55 year term.

21. Will CHFA agree to subordinate the Regulatory Agreement?

The Regulatory Agreement (and note/deed of trust, if applicable) may be subordinated, as lien or encumbrance priority is not a requirement of the Program.

22. May I transfer title to the property during the term of the Regulatory Agreement?

In the event you wish to transfer title to a third party, CHFA requires as a condition of transfer, that the third party agree in writing to be bound by and to operate the Development in accordance with the terms of the Regulatory Agreement and, if applicable, the note and deed of trust.

Call (916) 324-8209 for more information